Mr. Watkins and File

file

indusmin limited

annual REPORT 1968

This year's cover illustrates your company's aggregates quarry and processing facility at Acton, Ontario. A series of stacker conveyors are piling aggregates according to grade.

indusmin limited

YEAR IN BRIEF – 1968

OPERATING SUMMARY

Net sales	$ 7,379,255
Depreciation, amortization and depletion	1,099,933
Earnings before income tax	1,350,758
Income tax	17,608
Net profit	1,333,150
Cash recovered from operations	2,457,202
Dividends paid	825,325

FINANCIAL POSITION

Current assets	$ 3,174,317
Current liabilities	869,529
Working capital	2,304,788
Current ratio	3.65:1
Equity	11,056,206

PER SHARE

Net profit	$ 1.14
*Dividends paid (on 965,497 shares)	0.75
Equity	9.47
Cash recovered from operations	2.10

MISCELLANEOUS

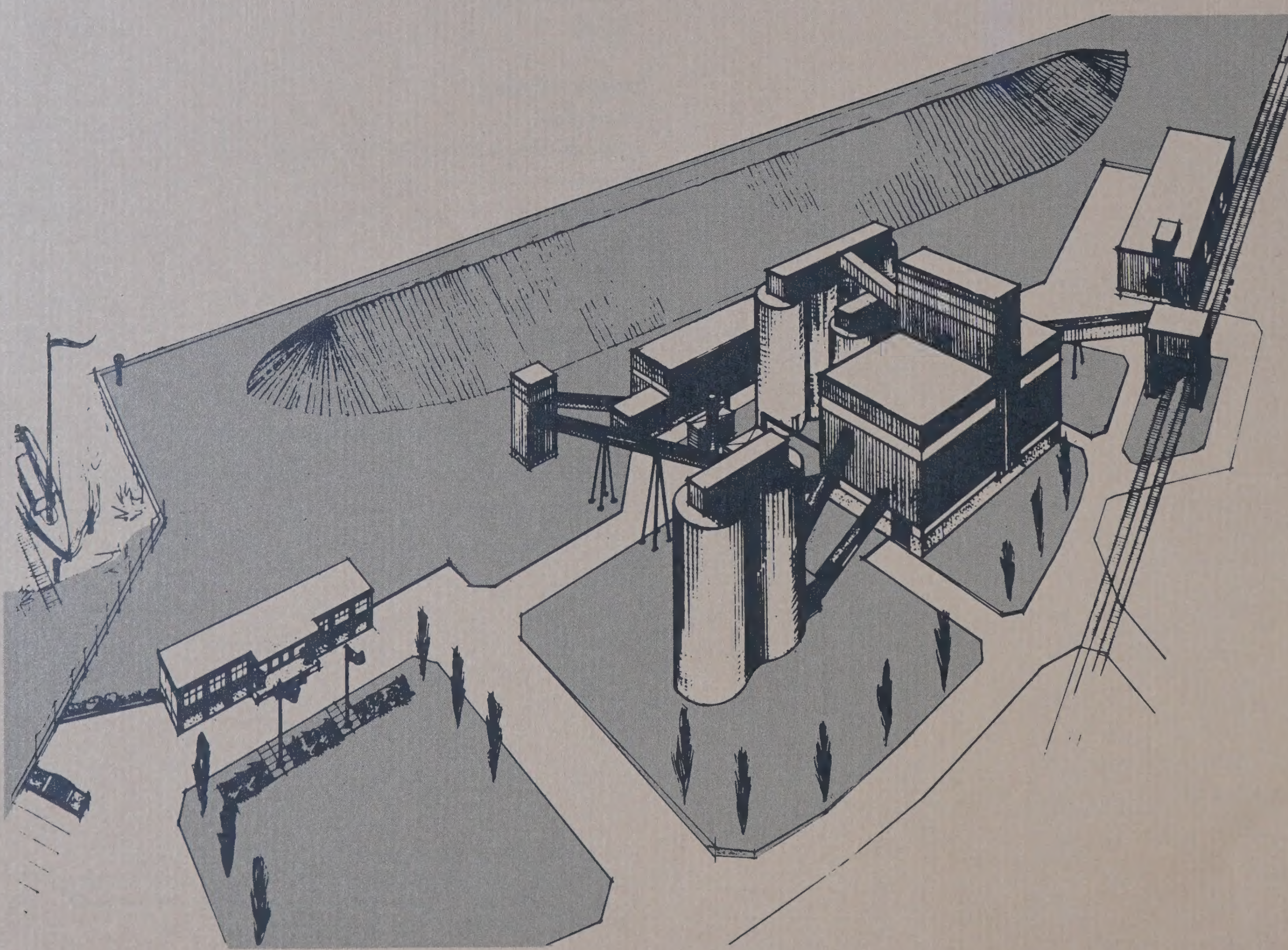
Issued capital – shares	1,167,901
Number of shareholders	4,442
Number of employees	300

Shares listed – Toronto Stock Exchange
– Canadian Stock Exchange

*Industrial Minerals of Canada Limited shares outstanding at time of payment

The Annual Meeting of the Shareholders of Indusmin Limited will be held in the Toronto Room, King Edward Sheraton Hotel, 37 King Street East, Toronto, on Thursday, the 10th day of April, 1969, at the hour of 11:00 o'clock in the forenoon.

Architect's sketch of the Midland Plant, Ontario Silica Division, scheduled for completion in the spring of 1970.



indusmin limited

HEAD OFFICE
7 King Street East, Toronto 1

DIRECTORS
P. L. Dessaulles – Montreal, Quebec
Counsel–Byers, McDougall, Casgrain & Stewart
H. J. Fraser† – Toronto, Ontario
President and Managing Director
Falconbridge Nickel Mines Limited
F. D. Hart – New York, New York
Administrative Director American Gas Association, Inc.
J. J. Mather* – Toronto, Ontario
Executive Vice President and Managing Director
Indusmin Limited
J. T. McWhirter – Toronto, Ontario
Treasurer Falconbridge Nickel Mines Limited
E. L. Healy – Toronto, Ontario
Executive Vice President Operations
Falconbridge Nickel Mines Limited
G. T. N. Woodrooffe – Toronto, Ontario
Vice President Corporate Affairs
Falconbridge Nickel Mines Limited
F. R. Archibald** – Toronto, Ontario
Vice President Metallurgy and Research
Falconbridge Nickel Mines Limited

†Deceased – 2nd February, 1969.
*Elected President and Managing Director on February 6, 1969.
**Elected a Director on 6 February, 1969.

OFFICERS
H. J. Fraser† – *President*
J. J. Mather* – *Executive Vice President and Managing Director*
D. D. Anderson – *Secretary*
J. D. Krane – *Assistant Secretary*
J. M. Donovan – *Controller*
J. T. McWhirter – *Treasurer*

SENIOR MANAGEMENT
D. C. McDonald – *General Manager – Production*
C. M. Woodruff – *General Manager – Marketing*
D. G. Minnes – *General Manager – Corporate Development*
G. E. Armstrong – *General Manager – Distribution*
R. C. Wilson – *Director of Research*

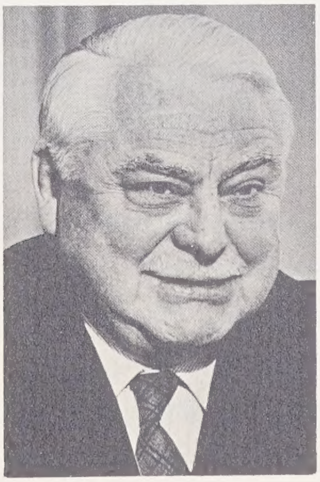
SUBSIDIARIES
American Nepheline Corporation – Wholly owned.
Suite No. 6, 11 West Cooke Road, Columbus, Ohio 43214.
Nephsil Minerals Limited – Wholly owned.
7 King Street East, Toronto 1, Ontario.
Klukwan Iron Ore Corporation – 93% Voting Interest
Suite 201, 311 Franklin Street, Juneau, Alaska.

TRANSFER AGENTS
Crown Trust Company – *302 Bay Street, Toronto*

AUDITORS
McColl, Turner & Co., *Peterborough, Ontario*

SOLICITORS
Strathy, Archibald, Seagram and Cole,
Suite 1700, 110 Yonge Street, Toronto, Ontario.

IN TRIBUTE



DR. HORACE J. FRASER

IN TRIBUTE

The sudden passing of our President, Dr. Horace J. Fraser, is recorded by your Directors with profound regret and a sense of great personal loss. Recognized as a leader in the Canadian mining industry, he made available to the company his valuable counsel and experience as a Director and as President since 1962. We especially wish to acknowledge the foresight of Dr. Fraser which contributed so significantly to the successful expansion and diversification of Indusmin in recent years.

TEN-YEAR STATISTICAL SUMMARY

Indusmin Limited and Predecessor Company (Industrial Minerals of Canada Limited)

	1959	1960	1961	1962	1963
Sales	$1,814,827	$1,772,064	$1,544,247	$1,827,981	$2,000,318
Profit before write-offs and taxes	561,921	541,586	592,686	631,350	725,502
Depreciation, amortization and depletion	372,543	364,925	376,940	374,439	426,127
Expenditures on plant and equipment	81,930	44,253	34,538	148,643	205,086
Corporation income taxes	59,000	51,000	70,232	58,702	21,054
Net income	130,378	125,661	145,514	198,209	278,321
Net income per share	.32	.31	.35	.48	.68
Shareholders' equity	2,514,757	2,557,228	2,630,071	2,828,798	2,950,320
Shareholders' equity per share	6.14	6.25	6.40	6.90	7.19
Dividends	164,000	82,000	82,000	123,000	164,000
Dividends per share	.40	.20	.20	.30	.40

per share calculations 1963 and prior years – 410,000 shares
per share calculations 1964 – 820,000 shares
per share calculations 1965 and 1966 – 856,855 shares
per share calculations 1967 – 965,497 shares
per share calculations 1968 – 1,167,901 shares

1964	1965	1966	1967	1968
$3,785,218	$3,797,816	$4,448,471	$6,532,634	$7,379,255
1,136,653	1,385,098	1,727,231	2,105,305	2,450,691
711,955	681,052	723,823	984,355	1,099,933
380,040	319,808	315,398	980,478	1,851,000
135,000	220,000	315,600	129,384	17,608
289,698	484,046	687,808	991,566	1,333,150
.35	.56	.80	1.03	1.14
7,339,990	7,446,383	7,658,031	9,557,422	11,056,206
8.95	8.69	8.94	9.90	9.47
205,000	421,056	471,270	550,113	825,325
.50	.50	.55	.60	.75*

indusmin

*Dividends per share calculated on the 965,497 Industrial Minerals of Canada Limited shares issued at the time of payment.

TO THE SHAREHOLDERS

During the year, 1968, there occurred a major change in the corporate structure, resulting in a change of name from Industrial Minerals of Canada Limited to Indusmin Limited, and further enlargement of the company's scope of operations.

In October, Industrial's Board of Directors recommended amalgamation with Q.M.I. Minerals Limited. Q.M.I. possessed net liquid assets of approximately $3,000,000, and miscellaneous property holdings, but conducted no active mining operations. The merger was approved by the shareholders of both companies on October 29th. The share exchange upon the reorganization was one Indusmin share for each Industrial share, and one Indusmin share for each five Q.M.I. shares.

This Annual Report covers the business operations and financial results of the entire twelve months of 1968, with comparisons made with prior years' results of the predecessor company.

The merger procedures involved the formation by Industrial of two subsidiaries, incorporated under the Canada Corporations Act, and the statutory amalgamation under that Act of one of them with Q.M.I. The second, Nephsil Minerals Limited, became a wholly-owned subsidiary of your company. The continuation of such subsidiary and segregation in it of part of the assets of your company is considered to have no continuing advantage, and the amalgamation of Nephsil with your company, its parent, is now recommended. This step will not alter the holdings, certificates, or equity of shareholders of the company, but will streamline the corporate structure.

The shareholders were advised in mid-year of the purchase from Union Carbide Canada Limited of a silica deposit near Killarney, Ontario, and the related fixed assets, including mining equipment, a primary process plant and comprehensive auxiliary installations, all of which are situated adjacent to Indusmin's own mineral deposits on Badgeley Island in Georgian Bay. This process plant was operated on a limited scale in 1968, supplying a metallurgical grade of silica to markets in Canada and the United States.

In the spring of 1969, construction will begin in Midland, Ontario, on a 500,000 ton per year secondary process plant for the production of sand and flour grades of silica for the glass, ceramic, building products, and other industries. The target date for start-up of the Midland plant is March 1970. The estimated cost of the entire project is approximately $6,000,000. Management anticipates that the money for these expenditures will be available from the company's current resources, future cash flow, and bank borrowings.

The 1968 sales figure of $7,379,255 exceeded that of 1967 by 12.9%. A strike of two months' duration in the United States glass industry significantly impaired performance of the Nepheline Syenite Division.

Earnings in 1968 ($1,333,150), while lower than forecast for the year, exceeded those of 1967 by 34.4%. Further growth in both sales and earnings is predicted for 1969.

ISSUED CAPITAL

	SHARES ISSUED
31 December, 1967	965,497
Issued on amalgamation with Q.M.I.	202,404
31 December, 1968	1,167,901

SALES AND PROFITS

	1968	1967
Sales Dollar Volume	$7,379,255	$6,532,634
Consolidated Net Profit		
Dollars	$1,333,150	$ 991,566
Per Share (1,167,901 shares)	$ 1.14	$ .85
As a percentage of sales	18.1%	15.2%
Profit before write-offs and taxes	$2,450,691	$2,105,305
Write-offs	$1,099,933	$ 984,355

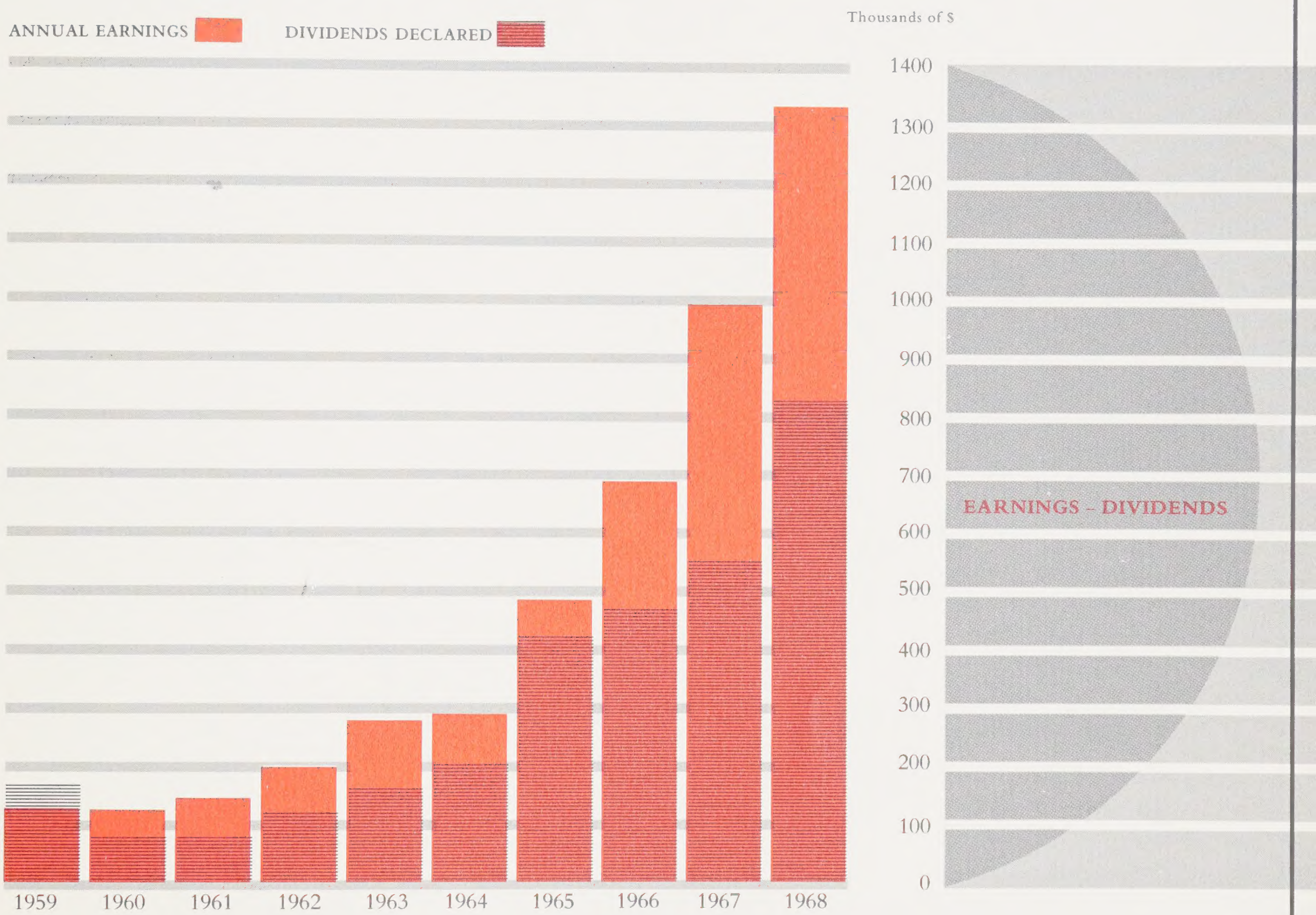
SALES–BY MARKET AREA	1968	% OF TOTAL 1968	% OF TOTAL 1967
United States	$2,040,075	27.7	29.2
Canada	$5,012,931	67.9	67.0
Other	$ 326,249	4.4	3.8

SALES–BY QUARTER	1968	% OF TOTAL
1st Quarter	$1,334,603	18.1
2nd Quarter	$1,935,024	26.2
3rd Quarter	$2,100,646	28.5
4th Quarter	$2,008,982	27.2

FINANCIAL

	1968	1967
Cash recovery from		
operations – dollars	$ 2,457,202	$ 2,018,209
per share	$ 2.10	$ 1.76
Working capital		
31 December	$ 2,304,788	$ 2,223,715*
Total billing figure	$12,035,112	$11,018,965
Less freight prepaid	$ 4,655,857	$ 4,486,331
Reported sales volume	$ 7,379,255	$ 6,532,634
Accounts Receivable	$ 1,868,843	$ 1,740,214

*Includes working capital of Q.M.I. Minerals Limited at December 31, 1967.



Accounts Receivable at December 31, 1968, amounted to 15.5% of total billings. The comparable figure for 1967 is 15.8%.

DIVIDENDS

Dividend payments 1968 – *$825,325

75¢ per share on the 965,497 shares of Industrial Minerals of Canada Limited outstanding at time of payment.

RECORD DATE	DATE PAID	¢ PER SHARE
30 April	15 May	25
15 October	28 October	25+25 Extra
Total		50+25

*Includes 10¢ per share on the 1,012,020 shares of Q.M.I. Minerals Limited outstanding at time of payment.

DISPOSITION OF 1968 INCOME

%		$
100.00	Income from sales - - - - - -	7,379,255
	Used as follows:	
30.60	Wages, salaries and employee benefits	2,257,496
36.20	Materials, supplies and services- - -	2,671,068
14.90	Depreciation, depletion and amortization - - - - - - - -	1,099,933
11.18	Dividends - - - - - - - - -	825,325
.24	Taxes - - - - - - - - - -	17,608
6.88	Retained and used in the business - -	507,825

INCOME TAXES

By claiming permitted capital cost allowances and development expenditures for tax purposes substantially in excess of the amounts provided in the accounts, current taxes payable in recent years have been relatively low. The converse will be the case in later years when the write-offs for tax purposes have been reduced. This situation in the past has been explained by notes to the financial statements. In order to present the tax position more directly, commencing January 1, 1969, there will be included in the earnings account a provision for taxes based on the write-offs charged therein rather than on the capital cost allowances claimed for tax purposes. If this tax accounting policy (tax allocation basis) had been employed in 1968, net profit would have been recorded as $800,150 in comparison with the $1,333,150 reported employing the policy (tax payable basis) then in effect. The accumulated difference in the tax calculations on the two bases in 1968 and prior years represents a deferment of tax to future years in the amount of $185,000. It is important to recognize that in any given year the tax payable and the cash flow are the same for either method, the significant difference in the two tax accounting procedures being the method of reporting tax deferments.

PLANTS

NEPHELINE SYENITE DIVISION

A major revision in the primary milling circuit of the Nephton plant was completed with only minor disruptions in production schedules. The new circuit enabled us to introduce a series of glass grade products with vastly improved physical characteristics. This is another "industry-first" for the company, and consumer reaction to the new grades has been excellent.

Anticipating a continuing rise in demand in the paint industry for the filler grades, one grinding mill and additional classification equipment were installed in the secondary milling section. This program of expansion in the secondary mill will be continued in 1969.

The continuing pattern of growth will necessitate expansion in 1969 of other elements of the production operations: another dryer, more storage bins, a larger power shovel, a compressor and additional transformer capacity.

SILICA DIVISION (QUEBEC)

Early in the year the installation of a new milling section, replacing the Lachine facility, was completed. There were

The first shipment of silica being transported by boat after the company acquired the Killarney ore reserves.

With the new company name, a total re-identification program has been completed. Shown above is one of the new plant signs.

no other major changes in the milling plants. Dust-control systems were improved and additional storage bins erected. Appropriations have been made to continue these programs in 1969. Four new service buildings were erected and a new compressor was installed.

The milling circuits for the St. Donat ore, at both St. Canut and St. Donat, will be expanded in 1969.

AGGREGATES DIVISION

The productive capacity of this operation can be expanded very significantly by increasing the number of operating shifts. It is therefore concluded that capital expenditures during the next several years can be confined to equipment replacement and new product development.

In 1968, a washing circuit was installed. This added to the product line, bringing substantial new business during the year, and the outlook for this grade in the future is very favourable. We were the first in the industry in our market area to make such a product available.

Appropriations have been made for circuit improvements and replacement of one unit of loading equipment in 1969.

SILICA DIVISION (ONTARIO)

The shareholders were advised early in 1968 of management's decision to proceed with the development of the Badgeley Island silica deposit. Options held were then exercised, culminating in the purchase of the Union Carbide

holdings at Killarney and a suitable waterfront site in Midland for the secondary process plant. By the end of the year preliminary engineering layouts for the Midland plant had been completed and buildings on the site had been removed to permit an early start in 1969 on construction. In January of 1969 the original design was revised to provide for a much larger scale of operations. In the original concept, estimated to cost a total of $3,000,000, there was a provision of $1,500,000 for the first phase (200,000 tons per year) of what was ultimately to be a 500,000 tons per year plant in Midland. The more recent profit projections indicate that it would be preferable to build at the outset the 500,000 tons plant. The estimated cost of the Midland plant is $3,600,000 and for the entire project $6,000,000. The balance of $2,400,000 (which includes the original purchase price of the Killarney property) provides for pre-development work and for improvement and enlargement of production and load-out installations at the mine site. The indicated timing of these expenditures is as follows: in 1969, $5,500,000, and in 1970, $500,000.

CAPITAL EXPENDITURES ON PLANT AND EQUIPMENT

	1968	FORECAST 1969
Nepheline Syenite Division	$ 621,000	$ 514,000
Silica Division (Quebec)	166,000	211,000
Aggregates Division	204,000	90,000
Silica Division (Ontario)	795,000	5,500,000
Other	65,000	46,000
Totals	$1,851,000	$6,361,000

KLUKWAN IRON ORE CORPORATION

As a result of the amalgamation with Q.M.I. Minerals Limited, The Klukwan Iron Ore Corporation became a subsidiary of Indusmin Limited. The following is a brief summary of the affairs of Klukwan.

CAPITALIZATION	OUTSTANDING	HELD BY INDUSMIN
Common Shares – Class A	2,972,182	2,840,000
Class B	461,009	0
Class C	63,400.5	0

The Indusmin holding represents a 93.6% voting interest and a 69.8% interest in the profits of Klukwan.

PROPERTY

Iron ore deposit near Haines, Alaska. Company holds approximately 2,000 acres. Property leased to United States Steel Corporation until February 27 in the year 2036,

subject to termination by the lessee on notice. Annual minimum royalty $45,000 until 1971, $100,000 thereafter. U.S. Steel has the right to purchase the property for $10,000,000 less royalties paid.

There is no information on hand to indicate either that the lease will be terminated or that the property will be put into production.

Apart from general corporate maintenance, the company is inactive. At December 31, 1968, the company had working capital of $243,952 resulting from the accumulated royalty and interest income less operating expenses.

INDUSMIN SHAREHOLDERS

There were 4,442 shareholders at 31 December, 1968, representing an increase of 2,142 in 1968, due primarily to the amalgamation with Q.M.I. Minerals. Falconbridge Nickel Mines Limited holds 805,688 shares, or approximately 69% of the 1,167,901 shares issued.

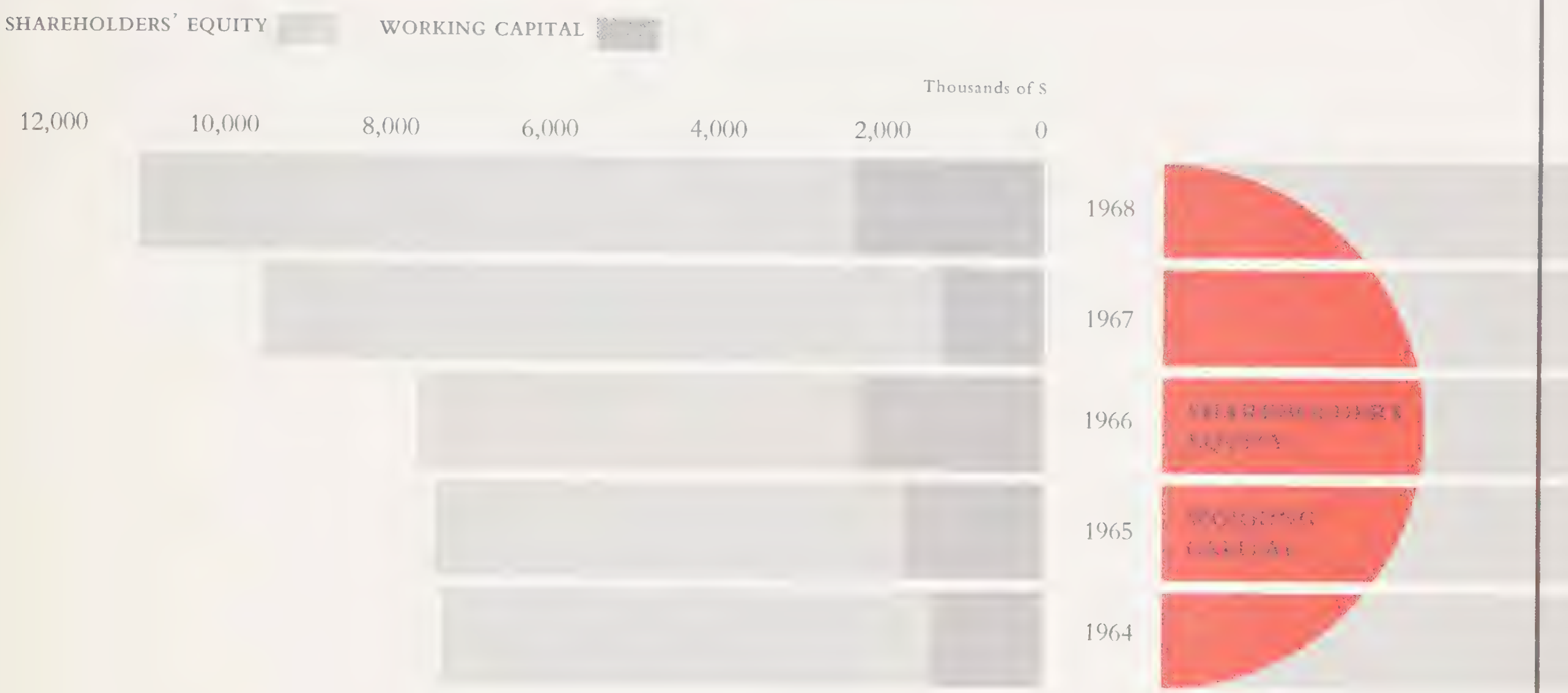
GENERAL COMMENT

The outlook, both near-term and long-term, is favourable. The programs of the research group related to product improvement and development are expanding traditional markets and creating others. The policy of your company will be to continue the search for diversification and new investment opportunities.

The Directors gratefully acknowledge the contribution of all employees and record also their appreciation to the customers and shareholders for their confidence and support.

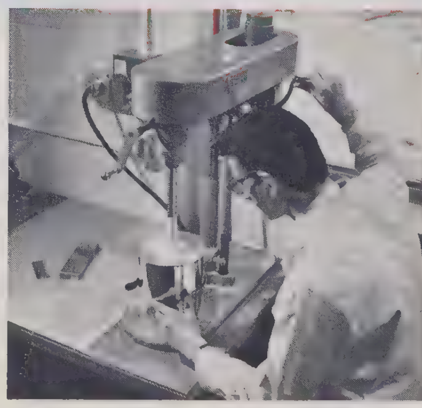
On behalf of the Board,

J. J. Mather
President and Managing Director.
6 February, 1969.


SHAREHOLDERS' EQUITY
WORKING CAPITAL
Thousands of $
12,000
10,000
8,000
6,000
4,000
2,000
0
1968
1967
1966
1965
1964


CASH FLOW
WRITE-OFFS
CAPITAL EXPENDITURES
Thousands of $
3,000
2,750
2,500
2,250
2,000
1,750
1,500
1,250
1,000
750
500
250
0
1968
1967
1966
1965
1964

SUPERIOR PAINTS WITH MINEX BRAND NEPHELINE SYENITE



An important phase of Indusmin's research program is the continuing effort to expand the use of its products in new markets.
The research team tests and evaluates products used as raw materials in the formulation of paints.

CONSOLIDATED STATEMENT OF OPERATIONS

for the year ended December 31, 1968 (with related* figures for 1967)

	1968	1967
Sales of all products	$7,379,255	$6,532,634
Cost of products sold	4,200,604	3,808,465
Selling, general and administrative expenses	900,059	675,508
	5,100,663	4,483,973
Operating profit before providing for depletion, development expenditures and depreciation	2,278,592	2,048,661
Depletion of limestone deposits	30,578	25,878
Development expenditures written off	95,734	55,195
Depreciation of plant and equipment	973,621	903,282
	1,099,933	984,355
Operating profit	1,178,659	1,064,306
Income from investments	172,099**	56,644
	1,350,758	1,120,950
Provision for taxes on income (note 6)	17,608	129,384
Net profit for the year	$1,333,150	$ 991,566

*The figures for 1967 do not include those of Q.M.I. Minerals Limited which recorded earnings of $85,427 in that year

**Including, in 1968, dividends of $58,656 received from an associated company, Falconbridge Nickel Mines Limited

indusmin limited

(incorporated under the laws of Canada)

ASSETS

	1968	1967
CURRENT		
Cash	$ 48,850	$ 28,360
Short term investments, at cost, approximately market value	727,925	819,215
Accounts receivable for product and freight	1,868,843	1,740,214
Inventories of crude ore and finished products – valued at the lower of average cost or net realizable value	427,998	215,356
Prepaid expenses and other current assets	100,701	66,614
	3,174,317	2,869,759
INVESTMENT		
In shares of subsidiary, associated and other companies, at cost		
Subsidiary company (note 5)	321,053	—
Associated and other companies (approximate market value $1,860,000)	547,360	—
	868,413	—
FIXED		
Buildings, plant and equipment, at cost	15,514,476	13,791,085
less		
Accumulated depreciation (note 3)	9,378,106	7,568,251
	6,136,370	6,222,834
Mining properties and land, less depletion (note 3)	788,983	953,365
	6,925,353	7,176,199
OTHER		
Mine and mill supplies, at cost	299,681	319,059
Deferred development expenditures, less amounts written off	198,184	154,640
Other mining properties and expenditures thereon	592,609	590,934
Special refundable tax	59,357	66,299
Loan receivable, secured	18,890	19,461
	1,168,721	1,150,393
	$12,136,804	$11,196,351

CONSOLIDATED BALANCE SHEET

as at December 31, 1968 (with related * figures for 1967)

LIABILITIES AND CAPITAL

	1968	1967
CURRENT		
Bank advances	$ 202,749	$1,302,000
Note payable	200,000	—
Accounts payable and accrued charges	442,321	252,709
Estimated income and mining taxes payable	17,393	44,745
Principal payments on mortgage loans due within one year	7,066	21,340
	869,529	1,620,794
LONG TERM		
Mortgage loans, less amounts due within one year	11,069	18,135
Note payable July 8, 1970	200,000	—
	211,069	18,135
SHAREHOLDERS' EQUITY		
Capital (notes 1 and 2)		
Authorized – 2,000,000 shares with no par value		
Issued and fully paid – 1,167,901 shares (1967 – 965,497 shares)	10,854,014	8,775,324
Contributed surplus	—	374,964
Retained earnings	202,192	407,134
	11,056,206	9,557,422
	$12,136,804	$11,196,351

Approved on behalf of the Board:

J. J. MATHER *Director*
G. T. N. WOODROOFFE *Director*

*The figures for 1967 do not include those of Q.M.I. Minerals Limited

Auditors' Report to the Shareholders

We have examined the consolidated balance sheet of Indusmin Limited and its wholly-owned subsidiary companies as at December 31, 1968 and the statements of consolidated operations, retained earnings and source and disposition of funds for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In 1968 the company continued as in prior years to account for corporate income taxes on the tax payable basis. However, as of January 1, 1969, the company has adopted the deferred tax accounting basis which relates the income tax effects to the same period in which the related income-determining components are recognized in the accounts. Note 6 to the consolidated financial statements describes the effect of using the tax payable method in determining the income of the company for 1968.

In our opinion, these consolidated financial statements together with the notes thereto present fairly the financial position of the companies as at December 31, 1968 and the results of their operations and the source and disposition of their funds for the year then ended, in accordance with generally accepted accounting principles (except as noted above) applied on a basis consistent with that of the preceding year.

Peterborough, Canada
February 6, 1969

McColl, Turner & Co.
Chartered Accountants

indusmin limited

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

	1968	1967
Retained earnings as at January 1:		
Industrial Minerals of Canada Limited	$ 407,134	
Q.M.I. Minerals Limited	244,833	
	651,967	$ 959,507
add		
Net profit for the year	1,333,150	991,566
Gain on disposal of equipment	11,203	19,700**
Provision for taxes no longer required	24,119	42,288
Adjustment to eliminate transactions of Industrial Minerals of Canada Limited to October 31, 1968 included in this statement	302,005	
	2,322,444	1,973,661
deduct		
Dividends paid	825,325	550,113
Loss on sale of investments	139,040	
Adjustment with respect to deficit of Acton Quarries Limited on amalgamation on November 29, 1967		906,756
Adjustment relating to the revaluation of depreciable assets (note 3)	1,155,887	
Appropriation of earnings to write off the remaining excess of cost over net book value of the underlying assets acquired through amalgamation		109,658
	2,120,252	1,566,527
Retained earnings as at December 31	$ 202,192	$ 407,134

*The figures for 1967 do not include those of Q.M.I. Minerals Limited which recorded earnings of $85,427 and a loss of $101,924 on sale of investments in that year.
**Denotes loss

STATEMENT OF INVESTMENT in shares of subsidiary, associated and other companies

as at December 31, 1968

	NUMBER OF SHARES	INDICATED MARKET VALUE (NOTE A)	COST
SUBSIDIARY COMPANY:			
Klukwan Iron Ore Corporation (note B)	2,840,000		$ 321,053
ASSOCIATED AND OTHER COMPANIES:			
Falconbridge Nickel Mines Limited	16,759	$1,801,600	433,196
Quebec Cobalt and Exploration Limited	61,000	9,400	7,015
Dominion Magnesium Limited	7,000	42,000	98,000
Other		7,000	9,149
		$1,860,000	547,360
Total investment in subsidiary, associated and other companies			$ 868,413

NOTES:

A. The market values shown above are based on closing market prices at December 31, 1968. The indicated market value of certain securities is not necessarily indicative of the amount that could be realized if the securities were to be sold, due to the number of shares involved.

B. The company owns 95.6% of the Class A shares of Klukwan Iron Ore Corporation; this represents a 93.6% voting interest and a 69.8% interest in profits of Klukwan.

STATEMENT OF CONSOLIDATED SOURCE AND DISPOSITION OF FUNDS

		1968	1967
SOURCE OF FUNDS			
Net profit for the year		$1,333,150	$ 991,566
Charges against operations for depletion, depreciation and deferred development expenditures which did not in themselves require a cash outlay during the year		1,099,933	984,355
Funds derived from operations		2,433,083	1,975,921
Funds provided in prior years for income taxes no longer required		24,119	42,288
Proceeds from sale of investments in other companies		199,602	
Refund of special refundable tax		7,657	
Reduction of investment in sundry other assets		19,949	
Proceeds of note due July 8, 1970		200,000	
		2,884,410	2,018,209
DISPOSITION OF FUNDS			
Expenditures on land, plant, equipment and mine development		1,969,271	1,289,377
Expenditures on other mining properties		1,675	10,363
Dividends paid to shareholders		825,325	550,113
Provisions for payments on mortgage loans		7,066	21,340
Expenditures on other assets			60,199
Special refundable tax payment			19,032
		2,803,337	1,950,424
Resulting in an increase in working capital of		81,073	67,785
Working capital at beginning of year:			
Industrial Minerals of Canada Limited	$1,248,965		
Q.M.I. Minerals Limited	974,750	2,223,715	1,181,180
Working capital at end of year		$2,304,788	$1,248,965

*The figures for 1967 do not include those of Q.M.I. Minerals Limited

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Industrial Minerals of Canada Limited, in preparation for the statutory amalgamation with Q.M.I. Minerals Limited referred to below, caused two wholly-owned subsidiary corporations to be incorporated under the Canada Corporations Act–Nephsil Minerals Limited and Indusmin Limited. On November 1, 1968 the company sold its depreciable assets to Nephsil Minerals Limited for a consideration equal to the undepreciated capital cost thereof. Immediately thereafter, the company transferred to Indusmin Limited all the undertaking, property and assets of the company as then constituted, with the exception of eight incorporators' shares of Indusmin Limited, the consideration being the assumption by Indusmin Limited of the liabilities of the company and the issue to the company, as fully paid and non-assessable, 965,489 shares of Indusmin Limited.

Letters patent of amalgamation were issued on November 6, 1968 confirming the amalgamation of Indusmin Limited and Q.M.I. Minerals Limited. The shares of the amalgamated company received by Industrial Minerals of Canada Limited in exchange for its shares of Indusmin Limited referred to above are in the process of being distributed to the shareholders of Industrial Minerals of Canada Limited–at the conclusion of which Industrial Minerals of Canada Limited will apply for permission to surrender its charter.

The consolidated financial statements for 1968 have been prepared as if the amalgamation on November 6, 1968 had taken place, in fact, on January 1, 1968 and reflect the financial position of Indusmin Limited (the amalgamated company) as at December 31, 1968 and the results of its operations, the operations of the predecessor companies and those of the wholly-owned subsidiary companies, Nephsil Minerals Limited and American Nepheline Corporation, during the year 1968.

2. The effect of the transactions in Note 1 on the capital, contributed surplus and retained earnings of the amalgamated company and the predecessor companies is as follows:

(a) IN SHARES	INDUSTRIAL MINERALS OF CANADA LIMITED	INDUSMIN LIMITED	Q.M.I. MINERALS LIMITED	AMALGAMATED COMPANY
Shares outstanding at November 6, 1968 - -	965,497	8	202,404**	
Shares of Indusmin Limited issued to acquire the net assets of Industrial Minerals of Canada Limited - - - - -		965,489		
Reduction in outstanding shares of Industrial Minerals of Canada Limited upon distribution of shares of Indusmin Limited - -	965,497*			
Shares converted - -	—	965,497	202,404	
at the rate of - - - -		1:1 new	1:1 new	
Issued and outstanding shares of the Amalgamated company - - -		965,497	202,404	1,167,901

*denotes deduction

**after consolidation of shares on the basis of 1 new for 5 old shares as authorized by Supplementary Letters Patent dated October 30, 1968.

(b) IN DOLLARS	ISSUED CAPITAL	CONTRIBUTED SURPLUS	RETAINED EARNINGS
Balances as shown on the consolidated balance sheet of Industrial Minerals of Canada Limited as at December 31, 1967 - -	$ 8,775,324	$374,964	$ 407,134
less			
Adjustments during the period January 1 to October 31, 1968 being:			
Dividends paid- - - - -			724,123
Adjustments to revalue depreciable assets – note 3 - -			1,155,887
			1,880,010
deduct			
Net operating profit - - - -			1,135,382
Gain on disposal of equipment - - - - - - - -			11,370
Provision for taxes no longer required - - - - - - -			24,119
			1,170,871
Net adjustment - - - -			709,139
Sub-total - - - - - - - -	8,775,324	374,964	302,005*
less			
Balances eliminated upon distribution of assets of Industrial Minerals of Canada Limited -	8,775,324	374,964	302,005*
Adjusted balances - - - -	Nil	Nil	Nil
Consideration for shares issued by Indusmin Limited:			
For cash on August 31, 1968 -	8		
For transfer of net assets of Industrial Minerals of Canada Limited on November 1, 1968	8,848,275		
Net income for the period to November 5, 1968 - - - -			240
Balances as shown on the financial statements of Indusmin Limited as at November 6, 1968	8,848,283		240
Balances as shown on the financial statements of Q.M.I. Minerals Limited as at November 6, 1968- - - - - - -	2,005,731		74,775
Balances of Indusmin Limited (the amalgamated company) as at November 6, 1968 - - -	10,854,014		75,015
add			
Net income for the period from November 6 to December 31, 1968, less loss on disposal of equipment of $167 - - - -			127,177
Balances as at December 31, 1968 as shown on the attached financial statements - - - -	$10,854,014		$ 202,192

*denotes a negative figure

3. Industrial Minerals of Canada Limited, in preparation for the sale of depreciable assets to Nephsil Minerals Limited–note 1– revalued its investment in such assets to reflect a net book value equal to the amounts which, at October 31, 1968, may be claimed in future years as capital cost allowances for income tax purposes. This revaluation adjustment of $694,990 represents essentially the excess of capital cost allowances claimed for income tax purposes in 1968 and prior years over the amounts in respect thereof recorded in the operating accounts in those years. To this adjustment has been added $460,897 to eliminate the amount by which the investment in Acton quarry lands had been increased in value by Acton Limestone Quarries Limited at the time of acquisition.

4. Assets and liabilities in currencies other than Canadian dollars have been converted into Canadian dollars at current quoted rates of exchange at December 31, 1968 except fixed assets and the related accumulated depreciation which have been converted at the rates prevailing when the expenditures on the fixed assets were made. Revenues and expenses in currencies other than Canadian dollars have been converted into Canadian dollars at the average quoted rates of exchange except that provisions for depreciation have been converted at the rates of exchange prevailing when the expenditures on the related fixed assets were made.

5. The company's investment in Klukwan Iron Ore Corporation, a subsidiary company, is carried at cost as it has not incurred any significant profit or loss to date, royalties received having been credited to deferred development and other expenditures. In 1968 the net earnings of the subsidiary company, after applying the remaining deferred development and other expenditures, amounted to $2,526 (U.S.), the portion applicable to the shares owned by Indusmin Limited being $1,763 (U.S.).

6. In determining the amount of income subject to taxes based upon income for the year 1968, the companies forming the amalgamated company will claim amounts in respect of depreciable assets and development expenditures which exceed the amounts recorded in the operating records. The result is that income taxes of $533,000 applicable to the reported earnings are not currently payable and, accordingly, no provision for them has been made in the determination of the net profit shown on the consolidated statement of operations at $1,333,150.

As indicated in note 3, the company has charged against retained earnings an amount equivalent to the excess of capital cost allowances claimed to October 31, 1968 over the depreciation and depletion recorded in the accounts to that date.

The amounts claimed to December 31, 1968 by the company and its predecessors–with the exception of Q.M.I. Minerals Limited to which reference is made below–under the provisions of the income tax acts in respect of depreciable assets and development expenditures have been greater than the amounts written off in the accounts and have resulted in a deferment of income taxes of $185,000 as at December 31, 1968.

Q.M.I. Minerals Limited at the date of amalgamation on November 6, 1968 had unclaimed capital cost allowances approximating $3,000,000 which should be available to the amalgamated company to reduce the taxable income of future years.

7. Remuneration paid to directors and senior officers of the company in 1968 amounted to $144,320 and, in 1967, $115,637.

PRODUCTS

The following table illustrates the diversified uses for your company's products.

	NEPHELINE SYENITE	SILICA	AGGREGATES
Colour TV tubes	●		
Fibre glass auto bodies		●	
Fibre glass boats		●	
Fibre glass fishing rods		●	
Fibre glass insulation	●	●	
Automobile glass	●	●	
Window glass for buildings	●	●	
Glass bottles	●	●	
Tumblers	●		
Tableware	●		
Lamp bulbs	●		
Glass insulation block	●		
Bathroom fixtures	●		
Vitreous enamels for appliances	●	●	
Fine china	●		
Hotel china	●		
Electrical porcelain	●		
Ceramic artware	●	●	
Paint	●		
Vinyl furniture upholstery	●		
Automobile upholstery	●		
Foam rubber cushions	●		
Foam rubber carpet backing	●		
Vinyl curtains	●		
Refractory cements		●	
Floor and wall tile	●		
Autoclave concrete products		●	●
Silicon carbide abrasives		●	
Asbestos-cement pipe		●	
Asbestos-cement wallboard		●	
Scouring powders		●	
Road and driveway paving			●
Asphalt products			●
Concrete products			●
Building cleaner media		●	
Poultry grits		●	
Foundry sands		●	
Filtering media		●	
Exposed aggregate building facing	●	●	
Silicon metal		●	
Ferro silicon		●	

PRODUCTION FACILITIES

NEPHELINE SYENITE DIVISION
D. C. Cook – Resident Manager
G. H. Taylor – Assistant to Resident Manager
Plant #1 – Nephton, Ontario

SILICA DIVISION (QUEBEC)
R. Lavertu – Resident Manager
P. Gauvreau – Production Superintendent
Plant #2 – St. Canut, Quebec
Plant #3 – St. Donat, Quebec

AGGREGATES DIVISION
D. L. Murdy – Resident Manager
G. Reynolds – Production Superintendent
Plant #4 – Acton, Ontario

SILICA DIVISION (ONTARIO)
A. R. Watt – Resident Manager
Plant #5 – Killarney, Ontario
*Plant #6 – Midland, Ontario

DISTRIBUTION YARDS

#1 – Whitby, Ontario
#2 – Scarborough, Ontario
#3 – Pinecrest, Ontario

TECHNICAL CENTRE

J. Kriens – Manager of Product Development
K. F. Weitz – Organic Coatings Chemist
1933 Leslie Street, Don Mills, Ontario

SALES OFFICES

NEPHELINE SYENITE AND SILICA DIVISIONS
W. B. Midgette – Regional Sales Manager
R. S. Grindley – Regional Sales Manager
7 King Street East, Toronto, Ontario

AGGREGATES DIVISION
A. Jones – Sales Manager
P.O. Box 303, Scarborough, Ontario

SALES REPRESENTATIVES IN:
Germany, France, Holland, Belgium, United Kingdom, Italy, Australia, Spain, and Greece.

*To be erected in 1969.

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